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Services Division

European Satellites Committee

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On April 9 a panel of four analysts discussed the problems in the major export industries of Poland. The analysts participating were [redacted] S/TF, [redacted] A/E, [redacted] M/FP, and [redacted] I/EM.

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Poland's principal foreign trade problem has been to maintain exports at the level of imports. From 1954 to 1956, exports were from 47 to 81 million dollars below imports. In 1957 this deficit in the trade balance had grown to 261 million dollars, and long-term and short-term borrowing was necessary to cover it.

This foreign trade problem came about for several reasons. One was the rather rapid industrial development during the Six-Year Plan (1950-1955) when heavy investments were made in the metallurgy and machinery industries - which required large imports of raw materials. Another was the program to increase consumer goods in the new Five-Year Plan, which again required increased imports. However, the Poles were not able to increase exports to meet the increased import requirements. The chief export, coal, was cut back from around 25 million tons per year during the Six-Year Plan to 14 million tons in 1957. Export of machinery (another major export) has been almost in direct proportion to the increase in imports of raw materials for this industry.

The prospects for increasing coal exports is not too good. Internal consumption of coal has increased, and capacity has not increased fast enough to maintain exports at former levels and meet domestic needs at the same time. [redacted] last year reported that the Poles were interested in getting better machinery and increasing their efficiency but did not seem to recognize their biggest problem - which was transporting coal from the face of the mine. Until the latter problem is solved, it will do little good to increase production within the mines. The Poles did purchase some equipment last year for strip mining, but this probably will not increase total production too much.

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The problem in the machinery industry has been that even though the industry has grown rapidly, still imports of machinery exceed exports. The plan of the Poles to export 50 per cent more machinery in 1960 than they import probably will not be met. The potential for sale of this machinery is to underdeveloped countries, as the Poles are not able to meet competition in hard-currency countries. It is unusual to try to export a product so soon after a new industry has started, but that is what the Poles are trying to do. There is an element of doubt, too, as to the long-run profitability of machinery export.

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On April 16, the Committee will meet at 1330 in Room 1121, and Mrs. [redacted] will discuss the civil airlines and civil air policy in the Satellites, with particular emphasis on Czechoslovakia.

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Secretary

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